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*ed - Thanks - looks*

*very good*



Communist Economic Penetration of West

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I. New Soviet Policy Tool

A. Both by word and by deed USSR has forced attention of West in recent months to increasing Soviet competition in the field of international commerce.

1. Khrushchev's words; arena competition moved from armaments to trade.
2. Soviet trade with underdeveloped countries of Free World has increased by over 500 percent since beginning 1954; total Soviet trade with West has grown by over 100 percent over same period.

B. Soviet foreign economic program, which is part of "policy of peaceful coexistence", emphasizes trade and economic aid to underdeveloped countries of West, and expanded trade with developed countries.

C. May be interested to learn of bi-weekly reporting on Soviet economic activities in Free World. In February 1956 working group of representatives from State, CIA, ICA and the Services organized to report in detail every two weeks, and in analytic summary every 6 months. Copies of these bi-weekly and semi-annual publications.

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## II. Soviet Capabilities for Trade and Aid

- A. New policy tool of USSR potent one; Soviet capabilities for extending trade and aid formidable.
- B. Total output in USSR now greater than that of U.K., France and West Germany combined. Second only to U.S.
- C. However, USSR not yet a "trading nation" in Western sense. May become one over next decade, but present level of trade small in relation to total output.
- D. USSR, moreover, has extended credit and grant assistance
  - 1. \$1.4 billion other Bloc countries, beginning since 1956
  - 2. \$1.4 billion Free World countries since 1954
  - 3. Soviet aid program has represented an insignificant burden to USSR. Doubling of present level of credits and grants would be within capabilities.

## III. Bloc Economic Relations Free World

- A. Tremendous expansion recent years
  - 1. Since 1954, \$2.2 billion credits and grants extended by all Bloc countries
    - a. About \$1.7 billion economic assistance, \$500 million military
    - b. USSR alone extended about \$1.4 billion
    - c. Under these credits, drawings amount about \$700 million
      - 1) Represent deliveries complete plants, industrial equipment, such as

- a) Six bridges to Egypt
- b) Equipment steel mill India
- c) Oil refinery, Syria
- d) Flour mill, Afghanistan
- 2) Military hardware such as
  - a) Fighter planes, Indonesia
  - b) Tanks, self-propelled artillery, Syria, Egypt
  - c) Submarines, small naval vessels, Egypt
- 3) Some commodities
  - a) Wheat, cotton, oil, Yugoslavia
  - b) Rice to Indonesia (from China) - during recent rebellion
- 4) Small amount convertible currency
  - a) \$30 million to Yugoslavia from USSR - 1956
  - b) China grant Egypt early 1957, \$5 million in Swiss francs
- 2. 1957, nearly 2,500 Bloc technicians working Free World - half USSR - half Satellites
- 3. Bloc sent trade missions all parts world - signed trade agreements Free World countries - more than 150 now in force

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- B. Soviets offer aid principally to highly susceptible countries
  - 1. Result - 6 countries received more than \$2 billion of credits--Yugoslavia, Egypt, Syria, Afghanistan, India, Indonesia
    - a. Soviets recently postponed for 5 years implementation of substantial credits Yugoslavia
    - b. \$175 million credit for aluminum complex
    - c. Unused portion was about \$70 million
    - d. Even writing off these credits altogether, Yugoslavia remains major recipient Bloc credits--about \$220 million
  - 2. These countries also have received bulk of Bloc specialists
  - 3. Trade increasing more rapidly these countries than others
  - 4. Susceptibility matter of
    - a. Foreign policy of non-commitment
    - b. Ambitious economic development plans
    - c. Difficulty marketing important export products
    - d. Local differences with neighboring countries
  - 5. Soviets pattern approach to particular problems of the moment
    - a. India - exploited ambitious development program--intense neutralist sentiment
    - b. Egypt - cotton surplus problem, desire for arms
- C. While devoting major attention most susceptible countries, Soviets not neglected others
  - 1. But many Latin American countries have serious economic problems--industrial development aspirations, marketing difficulties

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- a. Brazil accumulating large coffee surpluses
  - b. Chile concerned falling copper prices
  - c. Uruguay and Argentina have turned to USSR for large purchases oil--lacked foreign exchange to buy from Free World--Brazil seriously negotiating for Soviet oil
  - d. Receptivity to Bloc offers has increased as economic problems have become more acute and, as attraction of neutralism has increased (i.e., anti-U.S. feeling)
2. Western defense pact members
- a. Many approached by USSR with offers that would alleviate economic pressures
    - 1) Iceland, Turkey, Iran and Pakistan major countries concerned
    - 2) All these have ambitious development programs, requiring imports of capital goods, budgetary difficulties, inflation, balance of payments problems
  - b. Substantial minorities advocate acceptance Soviet offers expand economic relations
3. Attempts to expand trade with Western Europe
- a. To achieve desired rates of growth, imports of capital goods necessary
  - b. Recent large orders placed West Germany, France-- industrial equipment. Feelers on large order oil pipe line
  - c. Soviet exports aluminum, tin expanded recently--

probably represent attempt to earn necessary additional

foreign exchange

- D. In short, Soviets have already assumed important role in many underdeveloped countries
1. Expansion into other countries largely matter of receptivity
  2. Because of economic problems, growing strength neutralism, many other countries becoming increasingly susceptible greater economic relations Bloc
  3. Commerce with industrialized countries likely to expand